

Preferred Postal Rates: Another Perk for Nonprofits

12.15.15 | Linda J. Rosenthal, JD



Section 501(c)(3) organizations enjoy lots of perks; most notably, relief from the federal income tax obligation. They are also eligible for government and foundation grants. Their donors benefit as well from valuable charitable tax deductions.

There are others, including exemptions from sales and property taxes. Those are matters of state – rather than federal – law. Each jurisdiction has its own state tax rules and exemptions, so a New York charity may be allowed a sales tax exemption, while an identical organization in California won't be eligible for any relief at all.

There's one more perk: preferred postal rates. This discount is administered by the United States Postal Service, "an independent establishment of the executive branch of the Government of the United States." It's available to a broad range of "nonprofit" organizations, including some groups that don't qualify for a 501(c)(3) charitable tax exemption.

That's probably why the rules for eligibility don't exactly coincide with 501(c)(3) eligibility. In a perfect world, it would be enough for a 501(c)(3) to wave its IRS determination letter at the local postmaster, and sail on through. But this isn't a perfect world.

Statutory Authority

What is the law that authorizes these postal rates perks? It's federal; found in volume 39 of the United States Code, section 3626.

Sometimes, when we discuss a particular law, we recite it verbatim; that is, when it's important to get the specifics straight and the statute is in sufficiently plain English to be reasonably understandable. (That's what we did recently in "Special Meetings: What are the Rules?")

But this postal-perks law is an entirely different kettle of fish. [Here](#) it is; take a peek if you dare. It may as well be in Pig Latin or Vulcan. It's unintelligible. Period.

Happily, there are publications that explain the law and procedure. The U.S. Postal Service's Publication 417, Nonprofit Standard Mail Eligibility, is a good starting point, along with DMM 703. Information on the website of the Alliance of Nonprofit Mailers (www.nonprofitmailers.org) includes "updated guidance for complying with the 'often confusing and ever-evolving mail permit requirements.'" Click on the "Find Help" tab.

The Application Process

To take advantage of this benefit, an organization must apply for a nonprofit mailing permit on [USPS Form 3624](#) with each local post office the organization uses for mailing.

The application process includes attaching the organization's articles of incorporation, bylaws, the determination letter from the IRS granting tax exemption, as well as other evidence showing that the organization qualifies for this special privilege. Those documents may include brochures, bulletins, or anything that establishes how the organization actually operates. See Instructions to Form 3624.

Qualified Items

[Nonprofit postal rates](#) include: (1) a nonprofit periodicals rate; (2); a nonprofit Standard A rate; and (3) a library rate. These amounts are a percentage of their counterpart commercial rates.

What's more complex are the restrictions on the amount and kind of mail that can be sent at these discounted prices. For example:

Certain mailings by nonprofit organizations are ineligible for the nonprofit postal rate. For example, nonprofit organizations often offer back-end premiums such as tote bags and T-shirts [in connection with] contributions or membership dues payments. The U.S.P.S. has concluded that an announcement of such premiums will be considered an advertisement and thus ineligible for the nonprofit postal rate unless (1) the product advertised is directly related to the organization's primary purpose, and (2) the requested contribution or dues payment exceeds four times the cost of the premium items offered and twice their represented value (if any) in the announcement.

Carefully read the suggested publications to understand the scope of these restrictions.

Preparing Nonprofit Mail

Mail sent under these discounted rules require a special marking: "NONPROFIT ORGANIZATION," "NONPROFIT ORG," or "NONPROFIT."

The marking "must appear: (a) in the imprint indicia; (b) on a nonprofit precanceled stamp; (c) as part of the meter impression; and (d) printed ... adjacent to the postage area." Otherwise this discounted mail is treated just like standard mail. Also, "the name and address of the nonprofit organization MUST be shown, either on the outside of the mail piece or in a prominent place on the contents."

Conclusion

The preferred postal rates are an important part of the arsenal of benefits available to 501(c)(3) organizations: well worth the time and effort of wading through a sea of complex rules.

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